

How To Research Investment Products



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Introduction

You believe your advisor is a financial expert. He or she recommends you invest \$50,000 in a particular financial product: Mutual fund, hedge fund, index fund, Exchange Traded Fund or variable annuity. You can invest, without asking questions, because you trust your advisor. Or, you can be an informed investor by asking questions for these reasons:

- A sales recommendation is not financial advice
- The advisor makes money if you invest in the product
- The advisor has a potential conflict of interest
- The advisor may not be a financial expert

Be informed.
Ask questions!

The Prospectus

The advisor provides the required prospectus. But, the information you need is buried in 60 pages of confusing, jargon-ridden text. Wall Street provides this type of disclosure knowing there is a high probability you won't commit the time it takes to read it.



Your advisor will make thousands of dollars of commission if you invest in the product. You should make him/her earn this money by answering the 20 questions in this *FREE* Paladin research tool.

This research tool can be used to gather data for one product or multiple products that have the same characteristics.

Don't be shocked if your advisor knows very little about the product. He/she doesn't have to know much to sell it. He/she just has to know more than you do so you believe he is a financial expert.

He or she may not know the answers, but he/she should know how to obtain the information you are seeking. Do not invest until you have all of the answers!

How To Research An Investment Product

Your financial advisor recommends you invest your assets in a particular product. You ask some key questions to reduce your risk of making a major mistake. You should require the advisor to respond in writing so you have a permanent record of his/her answers.

Advisor responses help you evaluate competence and ethics.

- Competence: He/she recommended a high quality product for the right reasons
 - Ethics: He/she disclosed all of the facts so you could make an informed decision
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Create a questionnaire or print this document. Ask the questions during an interview. The advisor should certify the accuracy of his responses. You retain the information in case there is a future dispute.

The advisor should certify the accuracy of
his/her responses.

Investment Product Research Tool

1. What is the name of the product?
2. What is the type of product? Mutual Fund, Hedge Fund, Index Fund, Exchange Traded Fund, Separate Account Manager, Fixed Annuity, Variable Annuity
3. What is the name of the company that produces the product?
4. Does your firm own all or part of the company that produces the product?
5. How much money is invested by the company that produces the product?
6. When was the product first marketed to investors?
7. How much money is invested in the product?
8. What is the investment objective of the product? Growth, Growth & Income, Income, Preservation of Capital
9. Does the product have a track record?
10. If the product has a track record, is it GIPS (Global Investment Standard) compliant and audited by an independent third party?
11. If the product has a track record, is the performance net of all expenses?
12. How volatile has the product's performance been in the past? More Than the Market, Less Than the Market, Positive Performance Years, Negative Performance Years

13. Document in writing all of the product's expenses that will be deducted from my account in the first year: Up front Commissions, Administrative Fees, Advisory Fees, Money Management Fees, Marketing Fees, Transaction Charges, Custodial Charges, Mortality Expense, Administrative Fees, Any Other Expense
14. Document all of the expenses that will be deducted from my account in subsequent years: Up front Commissions, Administrative Fees, Advisory Fees, Money Management Fees, Marketing Fees, Transaction Charges, Custodial Charges, Mortality Expense, Administrative Fees, Any Other Expense
15. Calculate the total expenses as a percent of my assets.
16. How are you compensated for selling me this product? Fee, Commission, Both
17. Are you paid a one-time fee or commission or are you paid on a recurring basis?
18. If you are paid one-time how are you compensated to provide me with ongoing financial advice and services?
19. Are there any penalties for early withdrawal if I want to sell the product? What is the maximum penalty? How long do the penalties last?
20. Will I receive a quarterly performance measurement report?

About the Author



Jack Waymire is the founder of PaladinRegistry.com and [Investor Watchdog](#). He spent 28 years in the financial services industry and is the author of *Who's Watching Your Money?*

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